

<b>Board Meeting Paper</b>	
<b>Mar 17 BM C 2.0</b>	
Report for	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion / Debate <input checked="" type="checkbox"/> Information only
Sensitive Information ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>If sensitive, protective marking</b>	
Date of Meeting	16 March 2017
Agenda Item	C 2.0
Report Title	Finance Update – 30 November 2016
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## 1. Summary

The report is extracted from the detailed Management Accounts.

The net operating cost budget for 2016-17 is £3.74 million plus £925,000 for the National rail passenger survey and £225,000 for the Bus passenger survey, a total of £4.89 million.

Net operating costs for the eight months, excluding Separately funded projects and Road user representation, were £2,500,000 against the forecast of £2,512,000, a favourable variance of £12,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £343,000 which is in line with forecast. Expenditure on the Bus passenger survey (BPS) for the period was £1,000 which was also in line with forecast.

In addition to the Grant in Aid this year separate funding has been secured as follows:

- £84,000 from Great Western Railways (GWR) towards the costs of a post to represent passengers in south west England in 2016-17. Expenditure of £50,000 was incurred in the eight month period. The full costs for this post have been recovered from FGW and any research costs will be reimbursed in arrears.
- £320,000 from the Department for Transport to help support the franchise programme of work which includes £120,000 for NRPS digitalisation which has been allocated out directly to the project. Expenditure of £143,000 has been incurred in the eight months.
- £100,000 from the Rail Delivery Group (RDG) to fund staffing costs in relation to our work on Passenger information during disruption.
- £102,000 from HS2 which includes management of the HS2 Passenger panel for the year in addition to reimbursement of agreed agency costs of £45,000 for the passenger panel and workshops.
- £40,000 from Govia Thameslink Railway, and a combined total of £50,000 from Northern Rail and Trans Pennine Express towards the costs of a post to represent passengers in their particular regions.

We have also received funding of £1.785 million for Road user representation in 2016-17 from the Department for Transport. In addition excess funds of £417,000 from 2015-16 have been made available for use in 2016-17 to complete 2015-16 workplan commitments.

## 2. Recommendation or decision required

Following review of the quarterly report by the Audit and Risk Assurance Committee the Board are asked to note:

- The net expenditure for the period was £2,500,000 against the forecast of £2,512,000 a favourable variance of £12,000 (0.5%).
- The expenditure on Road user representation in the period totalled £964,000 against a forecast of £976,000, a favourable variance of £12,000 (1.2%).
- The expenditure on separately funded activities in the period totalled £341,000 and £46,000 has been recovered in advance from third parties for activities to be completed in the next quarter.
- Separately funded activities have made a total contribution to overheads of £39,000 in the period and the forecast for the full year contribution to overheads will be in the region of £90,000.

## 3. Further details

The management accounts summary below provides a breakdown of costs.

## 4. Implications - Financial, Risk, Legal, Staffing, Equalities

The financial and risk implications of the paper are shown in the Summary in Section 5, and there are no Legal, Staffing, Personal Data or Equalities implications arising from this paper.

## 5. Background information

### Basis of preparation

#### Expenditure

Transport Focus prepares monthly and quarterly expenditure reports on an accruals basis. This means that all costs are reflected in the month they were incurred or the month they relate to. For example a quarterly rental invoice will be split evenly over each of the three months in the accounts, and an invoice for stationery received in June but invoiced (or paid) in July will be included in the June accounts as an accrued cost. Research costs are usually included in the month they are invoiced to us by the research agency.

#### Income

Transport Focus accounts for its Grant in Aid when received, but all other project or 'ring-fenced' income (eg research joint funding, HS2, GWR) is accounted for when it invoiced. The main reason we do not accrue income to match costs incurred on projects is that any substantial variance in net project cost against the forecast amount highlights any sums still to be invoiced to third parties. Once any income has been invoiced it may be treated as income received in advance should it relate to more than one financial period or year.

The financial summary below is taken from the management accounts for the period.

The forecast outturn reflects the projects approved in the period.

### FINANCIAL REVIEW

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Income</b>	8	8	-	11	-	11
<b>Expenditure</b>						
Fixed pay	1,460	1,460	-	2,275	2,325	50
Fixed overheads	280	279	(1)	453	458	5
Variable overheads	254	266	12	375	334	(41)
Total running costs	1,994	2,005	11	3,103	3,117	14
NRPS	343	343	-	925	925	-
BPS	1	1	-	225	225	-
Other research and project costs	170	171	1	647	622	(25)
Total Project costs	514	515	1	1,797	1,772	(25)
<b>Total operating costs</b>	2,508	2,520	12	4,900	4,889	(11)
<b>Total net operating costs</b>	<b>2,500</b>	<b>2,512</b>	<b>12</b>	<b>4,889</b>	<b>4,889</b>	<b>-</b>
Road users	964	976	12	2,202	2,202	-
<b>Total costs</b>	<b>3,464</b>	<b>3,488</b>	<b>24</b>	<b>7,091</b>	<b>7,091</b>	<b>-</b>
<b>Separately funded projects</b>						
Great Western Railways	50	54	4	84	84	-
Rail franchising	143	144	1	320	320	-
Northern Trans Pennine	11	13	2	50	50	-
HS2 Passenger Panel	60	60	-	102	139	37
Total costs for separately funded activities	341	352	11	696	733	37
Total income for separately funded activities	387	387	-	696	733	37
<b>Net costs / (income) for separately funded activities</b>	<b>(46)</b>	<b>(35)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>

### COMMENTARY

#### Operating costs

- Income in the period includes payment for input into the Civil Aviation Authority Consumer panel and a BPS management fee from First Group Scotland.
- Fixed pay includes staff pay and members fees. The costs for the period are in line with forecast. The forecast outturn is lower than budget as although staffing levels within the Passenger Contact team have increased this has been offset by an increase in staff cost re-allocations to Roads caused by incorrect assumptions in the original budget. The volume of appeal complaints is double the levels of the previous three years and is due to a significant increase in appeal complaints regarding Virgin West Coast, Great Western Railway and Northern, together with a more general rise in workloads which we believe may be as a result of increased awareness of our role following changes in the complaints guidance implemented by Office of Rail and Road following consultation with us.

- 3 Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services. Costs to date are in line with forecast and budget.
- 4 Variable overheads include costs for travel and subsistence, training, printing, postage, stationery and telephones. The costs for the period are slightly lower than forecast as Travel and subsistence Training and development, and Conference and meetings costs have been lower than anticipated to date. The forecast outturn is higher than budget due largely to higher than anticipated press cutting volumes which have resulted in significant excess volume charges. The contract has now been re-negotiated and costs for the remainder of the year will be in line with original budget. In addition Recruitment fees and External support costs for procurement advice have been higher than originally budgeted.
- 5 Total project costs for the period are largely in line with the forecast. An unallocated project budget of £182,000 remains in addition to a £20,000 contingency budget. Plans are currently being prioritised for the use of these funds which include transition costs for the NRPS contract.

#### Road users

- 6 Costs to date for Road user representation are slightly below forecast. The full year outturn includes £417,000 to fund commitments from the 2015-16 workplan. Costs include an allocation of overheads.

#### Separately funded projects

- 7 GWR have agreed to fund a post to represent passengers in the south west as part of their current franchise agreement with the Department for Transport. This funding has been received from GWR. Costs are in line with forecast and budget.
- 8 The Department agreed to provide funding of up to £320,000 for the current year to help support the franchise programme of work and develop the digitalisation of NRPS. Costs to date are in line with forecast and include an allocation of overheads.
- 9 Costs for Northern Trans Pennine, South East Quadrant, and Passenger Information During Disruption are in line with forecast and budget.
- 10 Costs for the HS2 Passenger Panel are in line with forecast. The Forecast outturn is lower than original budget as the Passenger Panel is now being maintained internally as of January 2016 rather than through the research agency resulting in lower costs than originally budgeted.
- 11 Separately funded activities with a total value of £354,000 are anticipated in the period December 2016 to March 2017. For the period to 30 November 2016 Separately funded projects have made a total contribution to overheads of £39,000 and it is anticipated the full year contribution to overheads will be in the region of £90,000.

#### COSTS BY DIRECTORATE

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Forecast Outturn	Budget	Variance
Transport Policy / Issues Team	228	-	(228)	336	341	5
Communications	199	201	2	308	278	(30)
Insight	475	477	2	956	775	(181)
Transport User Team / Passenger Team	395	397	2	628	591	(37)
Contact team	276	276	-	438	412	(26)
CEO and Corporate Governance	335	334	(1)	510	519	9
Resources	426	430	4	715	730	15
Board	106	107	1	158	161	3
Unallocated project budget	-	-	-	182	345	163
<b>Total costs</b>	<b>2,440</b>	<b>2,222</b>	<b>(218)</b>	<b>4,231</b>	<b>4,152</b>	<b>(79)</b>
NRPS	343	343	-	925	925	-
BPS	1	1	-	225	225	-
<b>Total net operating costs</b>	<b>2,784</b>	<b>2,566</b>	<b>(218)</b>	<b>5,381</b>	<b>5,302</b>	<b>(79)</b>
Road Users	964	976	12	2,202	2,202	-
<b>Total costs</b>	<b>3,748</b>	<b>3,542</b>	<b>(206)</b>	<b>7,583</b>	<b>7,504</b>	<b>(79)</b>
<b>Separately funded projects</b>						
Great Western Railways	50	54	4	84	84	-
Rail franchising	143	144	1	320	320	-
Northern Trans Pennine	11	13	2	50	50	-
HS2 Passenger Panel	60	60	-	102	139	37
<b>Total costs for separately funded activities</b>	<b>341</b>	<b>352</b>	<b>11</b>	<b>696</b>	<b>733</b>	<b>37</b>
<b>Total income for separately funded activities</b>	<b>387</b>	<b>387</b>	<b>-</b>	<b>696</b>	<b>733</b>	<b>37</b>
<b>Net costs / (income) for separately funded activities</b>	<b>(46)</b>	<b>(35)</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Operating costs

1. The costs for the teams represent their direct costs plus an allocation of overheads.

2. The total costs for the eight months for all directorates are largely in line with forecast.

The main reasons for the variances between the budget and forecast outturn for each team are summarised below:

The Transport Policy team forecast outturn is slightly lower than budget as European technical advice costs have been lower than budgeted.

The Transport User Strategy team forecast outturn is in line with budget.

The Communications team forecast outturn is higher than budget due to higher than anticipated press cutting volumes which have resulted in significant excess charges to date. The contract has now been re-negotiated and costs for the remainder of the year will be in line with original budget.

The Insight team forecast outturn is higher than budget due to the allocation of funds from the Unallocated project budget.

The Transport User team forecast outturn is higher than budget due to higher than originally budgeted staff costs following the organisation restructure.

The Passenger contact team forecast outturn is higher than budget due to an increase in call centre costs for the year by around 50% in comparison to last financial year as contact volume has risen considerably.

The CEO and Corporate Governance forecast outturn is slightly lower than budget due to a staff vacancy in the team.

The Resources team forecast outturn is slightly lower than budget due to a staff vacancy in the team.

The Board forecast outturn is largely in line with budget.

The Cost allocation outturn is higher than budget due to incorrect assumptions in the original budget.

The Unallocated project budget currently has a balance of £182,000 available and £163,000 has been allocated to projects to date. Plans are currently being prioritised for use of the available balance and are anticipated to be fully committed by 31 March 2017.

## Road users

3. Costs for Road user representation include an allocation of overheads.

Costs to date for Road user representation are slightly below forecast due mainly to lower than anticipated travel and subsistence costs to date and a slightly lower than anticipated net costs for the joint Road Investment Strategies 2 project with Highways England. The full year outturn includes £417,000 to fund commitments from the 2015-16 workplan and is in line with budget.

## Separately funded projects

4. Costs for separately funded projects are in line with forecast and budget. The forecast outturn for HS2 is lower than budget due to the later than anticipated start date of the project and movement of the Passenger Panel management from the research agency to being managed in house.

## Summary

Total costs to date are £2,500,000 and are £12,000 (0.5%) lower than forecast excluding the costs for Separately funded activities and Roads.

The forecast outturn for Passenger representation, Road user representation, and Separately funded activities are anticipated to be in line with the agreed funding.

The main risks identified to remaining within budget are:

- ensuring the workplan commitments for the remainder of the year can be delivered within the agreed funding and that unallocated project budget is utilised for the most appropriate transport user priorities. This risk will be managed through regular reporting of expenditure and regular budget reviews to ensure any spending plans are affordable within the agreed funding for the year as well as reviewing priorities when projects are approved.
- costs for separately funded activities exceed the agreed funding for the year. We will continue to monitor this through the monthly financial reporting and regular budget reviews to ensure the forecast outturn will remain within the agreed funding.